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REPUBLIC OF IRAQ

PLANNING BOARD AND MINISTRY OF PLANNING

1) Iraq Planning Board
2) Iraq Ministry of Planning

The General Outline Of The Five-Year Economic And Social Development Plan Of Iraq

For The Years 1970-1974

Translated from the Arabic Text

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THE GENERAL OUTLINE
FOR THE FIVE-YEAR ECONOMIC AND
SOCIAL DEVELOPMENT PLAN
OF IRAQ FOR THE YEARS 1970-1974

INTRODUCTION:

Any approach to lay down a plan for the economic and social development in Iraq will come under the pressure of many contradicting facts, such as that between the ideal concepts of preparing the plan and the actual needs which do not conform to these concepts, and the contradiction between the informative means of the plan and the fact that this plan represents the real interpretation of the practical resolutions that might lack a massive popular acceptance.

When we speak about development, it is that we express people's expectations and their determination to proceed along the course of prosperity and progress; it is, at the same time, a system of work that commits all-countrymen to realize their expectation and to endeavour to have them come true if not to surpass them.

The world today is distinguished with a rapid rate of civil evolution, which calls on all developing societies to undertake serious endeavours to keep pace with it, or else they will remain backward and under-developed.

Iraq had recognized this fact and worked for many years to direct part of its resources towards raising the per capita income and to promote economic development to a degree that will make it a strong modern country, and to enable it to occupy a front position among developing countries, in order to attain a worthy standard of living to all countrymen. Thus, Iraq allocated an important section of its oil revenues to finance essential projects in order to raise the productivity

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of agriculture, enter the stage of industrialization, and to provide basic services to all countrymen in a manner that opens all doors for them to live a decent way of life.

No sooner than the efforts of raising the standard of living were realized that it was found necessary that all these efforts must be executed and coordinated within a perfect framework, by which all Iraq's resources and material, financial and manpower potentialities were to undergo a study that will take into account the direction of all these resources towards the best of applications that comply with the people's interests and aims. Therefore, we resolved to lay down an over-all plan that will outline the course of implementation to all the different sectors of the state, in the light of which they will persue to implement the essentials of the state's aspirations. If the definition of planning was that, it would be essential to realize a rapid growing rate in all the various economic and social aspects of life, and it will be inevitable in a socialist society that the state is entrusted with the task of supervising a large socialist sector that works hand in hand with a private sector, which contributes to the economic affairs with sound competency and without exploitation.

Since the nature of all projects covered by the Economic Plan are in need of a span of time to implement them and to reach their productivity stage, planning must have a long-range look of the future, in order to estimate the costs of these projects and their returns. But, whenever this time span was far away, factors of ambiguity would have increased. Thus, it is usual that the plan should cover a limited period not exceeding five years. Any planner must take into account at the same time the possible developments that would occur after the five-year period, as well as to lay down detailed programmes for each year of implementation in accordance with the Five-Year Plan and in the light

/of what it would really/

of what it would really attain or the difficulties encountered during the period of implementation.

Out of all this, we can derive certain important results that define the scope of the planning process:-

1 - Planning must be comprehensive in order to coordinate the various sectors of the National Economy and its activities.

2 - This kind of comprehensiveness is to be accompanied by an intricate detail of the public sector so as to define clearly its responsibilities, and at the same time a sufficient detail on the participations of the private sector contribution.

3 - The Plan is to be a true interpretation of the people's aims and aspirations of which the Plan's general objectives must represent the important part.

4 - In order to enable the Plan to push the wheel of progress to the utmost of its capabilities, it should be drawn up in the light of a mimute calculation of the State's resources, which require a large amount of informations and scientific research.

5 - In order that the public sector can be set off to execute its responsibilities efficiently, its managerial and productive apparatuses are to be developed in a way that eliminates implementation barriers, and opens all doors to set off with maximum speed.

6 - Planning is a continuous process that does not end by laying down a five-year plan, and any planner must consider all the potential sequences, and proceed to observe all developments at first hand so that his planning will come factual and in term

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with the circumstances the State might be undergoing at any time. He must, also take into account the aims of the coming generations so that he can balance those burdens that each generation will encounter and their sequences.

7 - Since the Plan is a programme of progesss, it must not be exclusive to a group of quantitative objectives; it should exceed that to any groups of policies and measures that are followed to adjust the setback which effected stagnation to the society in the past.

These in brief are the considerations any planner must take into account. And, in order that he can face all these big responsibilities, he should apply in his work a detailed scientific method that can bring him near to the limits of precision and certainty rather than the limits of guessing and estimates. Here, we find that the art of planning which was almost unknown to the world twenty years ago, had significantly developed in recent years. We should therefore, catch up with these developments in order to endeavour to reach perfection in our work and realize our ever-longed-for aims.

A LOOK AT THE PAST:

Any planner starts his work by undertaking an estimation of the present status with a study of the past events that affected such a status, in order that his estimation will not come out devoid of any purpose, even if such an action was liable to arouse bitter criticism of what had been already done, because there exists no more destructive tool to peoples expectations than self-deceit and concealing obvious limitations.

When we look to the near past, we must endeavour to derive good examples and lessons for the future and define a stepping position, from

/which we can set off./

which we can set off. The point that attracts much attention to Iraq's affairs is that despite the great potentialities of a notable growth in the agricultural sector, and despite what had already been spent to promote this sector, it had kept a state of stagnation, though it representsthe basic source of living to the larger section of the population.

The whole matter turned up in such a way, that after we had been exporters of some agricultural products, we became importers of these products. Agriculture represents the basic element of development, thus, from agricultural income, a surplus can be attained and directed for development purposes. Part of the agricultural production should also be provided to meet the requirements of the city population, which are increasing substantially as a result of the uptrend of migration from the countryside to the city. In addition, agriculture supplies the industrial production with the required raw materials; and again any growth in industry requires by itself a growth in the agricultural sector that comply with its requirements.

On other hand, if we look at the sector of industry and metallurgy, except oil and its derivatives, we shall find that its growth rates are still short of reaching the desired standard. It is pitiful that this happens in a country where industrialization could provide with activities which may render much results in a short time.

These two sectors are the basis and the foundation of production and income in the state. If the national economy had been able, despite all that, to achieve six per cent growth rate annually, the major attribute was related to the Oil Sector. Nevertheless, this sector should not remain heavy with the burden of the national economic development alone. In order that we may attain balanced growth, we must try to have other sectors growing along with it so as to avoid the dangers of depending on one major product.

/Despite the fact that all/

Despite the fact that all plans were designed on the basis of specific projects to be undertaken by the public sector, and despite the allocation of limited resources in the State's Budget, the record of execution for these projects does not look attractive. At the time where a sum of ID.150 million is allocated annually for government investments, implemetation would not be more than half of this amount. This resulted in the outflow of the investment resources to meet government/current spending or administrative costs to the extent that it began to form an alarming imbalance that must be corrected before it becomes dangerous. What stirs amazement in this connection is that, despite the up-trend growth of government spending that created income without any corresponding marketable production, the administrative apparatus remained short of meeting the increasing responsibilities related to the process of development, and even it had acted as a barrier of development instead of being its impetus.

In addition to the gap that happened and still in effect between the objectives and the data of the economic framework of the Plan and the already-attained project production objectives, there had been another gap of the same danger between the projects of the Plan as they were designed and the standard and capability of government administrations which had undertaken the detailed resolutions to put the agenda of works and contracts into force. Previous planners did not make sufficient initiative to plan the number, quality, standard and distribution of responsibilities among government departments responsible for the implementation of the Plan; and to undertake organizational management reforms that would ensure efficient and speedy implementation of projects. Therefore, the actual implementation efficiency and speed were out of the planners reach and were attributed to unemployment and self-incompetency of the organizational management status of the implementing government departments. In other words, planners were

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only satisfied with drawing up the required agenda of implementations without planning to whom these implementations were authorized to guarantee competency and ability to execute them as well as to ensure the managerial and organizational methods that were necessary to be followed up during implementation stage.

Among the other causes that led and are still leading to the delay of implementation of many projects is the lack of competent contractors. It is a common knowledge to those who had been able to study Iraqi Economy and its development obstacles, that shortage of technical workers and the sound competency of managerial and organizational skills are the main obstacles that hinder its growth capacity. We would like to draw attention to the limitation of Iraqi contractors' capacity to bid for the huge works aimed at by the Plan. It seems that this point had made the implementing authorities to divide projects into a number of different small tenders. But the variety of these tenders had made the managerial and organizational burdens, especially in the agricultural sector, larger than the capability of the implementing authorities in this sector, and perhaps, it formed the main causes to delay the implementation of agricultural projects.

All these considerations placed in front of any planner a heavy inheritance that he must get rid of before thinking of any new steps. Thus, the coming fiscal year, the Fifth Year of the present Five-Year Plan (1965-1970) must be looked at as the year of adjusting conditions in order to enable national economy to drive ahead in steady steps for the next Five-Year Plan of 1970-1974.

TOWARDS THE SETTING OF THE COMING PLAN: -

Before discussing the detailed objectives of the sectors, we must at first put down a general objective. It was usual to consider the national income as the major criterion of all the economic plans'

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objectives. During the years of the sixties, the U.N. organization recommended a 5% annually as the minimum rate of growth to the Developing Countries. The U.N. is now about to set up a new target for the seventies.

As we have said before, the rate of growth attained in Iraq, in spite of all difficulties, was in the range of 6% annually. However, the population rate of growth in the last few years has increased to 3.4% annually, leading to a per capita income not more than 2.5%.

It is estimated that the gross birth rate remained the same as 4.9% annually, which is one of the highest rates in the world. At the same time, the decrease in the death rate is keeping on to less than 1.3% and as a result the rate of population growth is increasing towards 3.6% annually which indicates a high standard to any observer in almost all the countries in the world. Despite that Iraq's resources can suffice the increasing number of population, the growing rate of population will lead us to observe two points: The first, is the increasing number of labour force, which must be met by arranging proper employment opportunities for them. The second point is the percentage of individuals of low ages which requires a large increase in services for them and to raise their parents' income to meet the necessity of bringing them up.

If we are to compare this status with what is already planned by several countries in the Third World, we shall find that the rates of per capita income are estimated between 3-6%. It would be dangerous if the state looks up for objectives more than its own potentialities, a matter which will put that state within the limits of being unable to realize these objectives. Thus, we may consider a 3.5% growth rate of per capita income as being an intermediate rate which reflects a step forward compared to the past period and surpasses it by 40%. Simultaneously, this implies a growth rate of 7.1% for the whole sectors of

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the economy which will be sufficient to double the national income in ten years.

In the light of this general objective, we must define targets of growth for all the different sectors with regard to the necessity of balancing these sectors with each other, and to adjust the disorder that came over the economy in the past period. Here, the importance of supporting the commodity sectors will be essential, as well as to limit the growth of services within the necessary limits especially what concerns the growth of administrative services: The general trend of these latter must be qualitative rather than quantitative. On the other hand, agricultural development needs two elements to promote it: The first is the basic investment in the projects of irrigation, drainage, storage and land reclamation, which are all of huge costs and slow return. The second is the reform of the supervising administration of the extension agricultural services, as well as the introduction of modern production techniques, which is liable to increase speedily the outlays of this sector, although the practical experience indicates that great efforts must be undertaken before these techniques and reforms will be wide spread. Therefore, to define the rate of 5% as the growth rate of agricultural production annually is rather a factual estimation.

As regards the expected potentialities of the industrial growth, both public and private sectors, we look at industry as the axis of all development's efforts. It has to be developed in such a way that it will acquire a growth rate of 12% annually. Then the sector of power, water, and gas will have to grow at a comparable rate and in such a way that will meet all the increasing requirements of production and the raise of the population's standard of living. On the other hand, the great burden assumed by the construction sector for the attainment of an ambitio s investment programme requires that this sector will have to

/increase its productivity/

increase its productivity and that all measures will have to be undertaken to ensure the desired expansion and the required competency of this sector.

All these objectives will achieve an increase of 43% in the commodity sectors during the coming five years, followed closely by other sectors concerned basically with distribution and transporting commodity products, namely the sectors of transport, communication, storage, trade and finance, which will increase by 40%. As for the services' sectors, the estimated increase will be around 35%.

In this connection, it must be said that any assessment to the different services and their priority or efficiency of work must be evaluated lest National Economy will be penetrated by financial inflation resulting from a raise in the purchasing power without the availability of commodities and all the related services in the markets. This will lead to turn into a raise of prices that will have its effect on the consumer on the one hand and will endanger the necessary National Savings to finance investments on the other hand.

If all these objectives came true, National Income will increase during the same period by 42%. As we are expecting an increase in population by 20%, the per capita income will increase by 18.7%. This will mean that the plan has been successful to adjust the national economy and achieved a large degree of prosperity and saving opportunities to all the masses of the people. That will also mean the building up of a well-constructed foundation to the state's prospective and realizing a sufficient degree of justice to all countrymen.

THE PROPOSED DIVISION OF TOTAL INVESTMENT:

The objectives we had drawn up for the coming Plan require a total investment of ID.973 million during the coming five years of 1970-1974.

/This figure had been drawn up/

This figure had been drawn up in the light of the economic data estimated according to mathematical formulae as well as technical statistical models based on the nature of the economic relations in Iraq and its expectation in the future. Also, the proposed division of Investment during the next five years will be as follows:-

(a) The Central Government Investment - ID.490 million.

(b) State Organizations and Establishments' Investment - ID.200 million.

(c) Private Sectors' Investment - ID.283 million.

We have based the proposed division of the Total Investment among the aforementioned three sectors on the following:-

1 - Private sector investment rate to the Total Investment during the period 1957-1963 had been about 50%, but the issue of Nationalization Laws of 1964 which transformed to the state the ownership of a large number of industrial, commercial and banking companies had made it impossible for the private sector to keep up its contribution at the rate mentioned above. It is possible to assume that about half of the Total Investment will be composed of the private sector and the State Organizations and Establishments' Investments, and the other half will be composed of the Central Government Investment. Thus it will be possible to consider that the volume of the Central Government Investment will be within the limits of ID.490 million during the five-year period which is expected to be allocated from oil revenues to finance the plan's budget. The remainder of the Total of Investment amounting to ID.483 million will represent the volume of Private Investment and State Organizations and Establishments' Investments.

2 - State Organizations and Establishments' Investments were estimated on the basis of the primary estimate of actual volume of investment in 1968 for these establishments, which had pointed out that their total

/credits for capital investment/

credits for capital investment during the said year was ID.33 million. If we are to assume that the annual rate of increase of this amount will be in line with the annual rate of increase of total investment, it would be likely to assume that the State Departments will achieve the amount of ID.200 million during the coming five-year of 1970-1974. This will mean that the private sector will contribute in the gross total of investments by ID.283 million. It will be proper in this connection to ask this question:-

How far this assumption will be true when related to the private sector?

Figures indicate that the minimum rate of the private sector investment annually in building will be ID.25 million, which will undoubtedly result in achieving at least ID.125 million of investment in this sector, plus ID.25 million invested by Oil Companies on the basis of the minimum rate of annual investment of ID.5 million.

It is not difficult to assume that this sector will invest ID.133 million in different agricultural, industrial, commercial and services activities during the coming five years of the Plan.

SECTORAL DIVISION OF THE CENTRAL GOVERNMENT INVESTMENT:

The stagnation which the agricultural sector had suffered up till now through the unrealization of any remarkable growth in production while the national income as a whole had been increasing by 6% annually, has led to a concentration of the increase of incomes in towns rather than in the countryside on the one hand, and inclined to concentrate on the top of the social ladder than its base. This led to the fact that the domestic market expansion means in effect an enlargement of the markets of the capital and other major cities rather than the enlargement of the rural markets where more than half of the population of Iraq lives.

/Naturally, industrial/

Naturally, industrial development in Iraq had been directed to suffice the demand of the city, specially in light and consumer industries to the extent that they had reached at the present state, which is considered the stage of diminishing opportunities that demand had made within the limits of growth offered by the present technology. All this had led into an additional increase in the volume and quality of demand in the cities which is hard to satisfy except by imports. On the other hand if it will be possible from now on to realize a large increase in the rural incomes, it will be a drive to a new pattern of commodity structure to the national spending similar to which can be met by. It will also lead at least to guarantee that there will not be any surplus in production capacities of existing factories or even those approaching their production stage.

In brief, this will mean realizing a favourable growth in agricultural production not only necessary to raise the standard of living of more than half of Iraq's population but also necessary to ensure a local market sufficient in volume and quality to the industry in Iraq at its present state and in future.

On this basis, sectoral distribution of the central government investment should give priority to the agricultural sector followed by the industrial sector and to put the priority of the projects of housing, transport & communication on the following considerations:-

(a) The necessities of maintenance and preservation.

(b) Those projects under construction of present plan.

(c) The complementary projects of agricultural and industrial projects.

Thus, we have made an estimated primary distribution of the total central government investment as it is shown in the following table, with regard to income during the present period of industrial expansion

/which will not be effective/

which will not be effective before 1972, that is, after the new industrial survey is completed and the availability of programmed projects ready for implementation.

THE FIRST ESTIMATION OF THE SECTORAL DISTRIBUTION OF THE CENTRAL GOVERNMENT INVESTMENT

Sector	Allocations (In Million Iraqi Dinars)						
	1970	1971	1972	1973	1974	Total	%
Agriculture.	35	35	40	45	45	200	41
Industry	15	15	40	50	50	179	35
Transport and Communication. . .	15	15	10	10	10	60	12
Building & Housing .	15	15	10	10	10	60	12
	80	80	100	115	115	490	100

We may represent the former table in another form which shows the lower and upper sectoral allocations of the central government investment in a way that will give more flexibility to these allocations at the time of the actual implementation:

/The First Estimation of the/

THE FIRST ESTIMATION OF THE UPPER AND LOWER LIMITS OF SECTORAL DISTRIBUTION OF THE CENTRAL GOVERNMENT INVESTMENT.

(In Million ID.)

Sector	Total Investment		1970	1971	1972	1973	1974
Agriculture.	170	200	25-35	35-30	30-40	35-45	55-45
Industry	145	170	10-15	15-20	30-40	40-50	50-45
Transport & Communication.	60	85	17-15	15-20	15-10	13-10	20-10
Building & Housing. . . .	60	90	18-15	15-20	15-10	12-10	10-25
T o t a l	490	490	70-80	80-90	90-100	100-115	125-135

CONCLUSION:

Despite the ambitious motives of any one of us to render plannin as an overall planning that exceeds the public sector to the private sector and exceeds resolutions and policies connected with the invest- mental programme to all the economic, social and educational activitie Despite all that, overall planning in Iraq does not mean complete administration and supervision of all economic aspects. The plan will be obligatory to the public sector and only directive to the private sector. We have the intention to preserve the scope of the private sector activities and the individual initiative in such a manner that the state's participation in such an activity will be limited to the necessary extent of directing this sector towards the objectives of national development and social justice. Thus, with the intention to direct the investments of the private sector properly to contribute in the national development process within the general framework of the coming plan, we suggest as an example only, some projects that the private sector is encouraged to undertake and to which we will provide the feasibility studies and primary surveys as an incentive measure to this sector.

While we present this general outline of the National Development Plan, we would like to point out that the detailed studies which are being undertaken by planning committees at present will certainly lead to more accurate estimations in future, which will define the nature o those projects that should be included in the Plan and the manner of distributing them between the public sector as well as the private sector. The plan will not stop at the limits of allocating funds and suggesting projects, but the studies will cover the definition of the best manner of the Plan's distribution over all Iraq's provinces in a way to realize fair and just distribution of wealth among all countrym

We are also preoccupied at present with administrative reforms

/necessary for the economic/

necessary for the economic activity of the state as well as acquiring all the information necessary for drawing up the details of the Plan on proper scientific basis. This was what actually promoted us to strengthen the Statistical Organization as well as the planning departments at all levels.

/Wm.

Planning Ministry.

Baghdad, 14th May, 1969.